



OPEN MEETING AGENDA ITEM
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Arizona Corporation Commission

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February 16, 2011

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Gary Pierce, Chairman
Brenda Burns, Commissioner
Sandra D. Kennedy, Commissioner
Paul Newman, Commissioner
Bob Stump, Commissioner

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL



**RE: ARIZONA PUBLIC SERVICE COMPANY—APPLICATION FOR APPROVAL OF A
RESIDENTIAL DEMAND RESPONSE PILOT PROGRAM**

(DOCKET NO. E-01345A-10-0075)

Comments of AARP

February 15, 2011

Dear Commissioners:

AARP Arizona is currently representing the interest of its approximately 800,000 Grand Canyon State members.

AARP Arizona supports the recommendation of the Staff of the Utilities Division of the Arizona Corporation Commission ("Staff") that a Pre-Pay Option should not be adopted as part of the residential demand response pilot program as proposed by Arizona Public Service Company ("APS"). A pre-pay electricity program is a method of collecting payment from customers; it is not a demand response program. Further, pre-payment of utility service has significant implications for consumer protection which should be addressed before any such program is approved. AARP does not support the adoption of pre-pay service.

A pre-pay utility service option allows a customer to pay in advance for electric or natural gas service. The consumer makes a payment through means that include telephone, internet, or payment stations. Through a display unit located inside the residence, customers can continuously monitor how much electricity or natural gas they have used, how much they are using currently, and how much pre-purchased power remains. Service is automatically terminated when the credit balance is depleted and is restored only when additional payment is rendered and the customer returns to load the meter.

A pre-pay option is not a demand response measure:

The commonly understood definition of a demand response program is that it results in a change in consumers' energy consumption in response to a price signal or notification from the utility. For example, under a direct load control program a consumer would not receive a price signal during a peak pricing period, but the utility would, with customer permission, control the cycling of a major appliance such as air conditioning, in order to reduce peak demand. A peak time rebate program would offer rebates to customers (ie a price signal) to reduce consumption during peak demand.

However, under a pre-pay option, a consumer reduces demand based on their own availability of funds, not because of a price signal or notice from the utility. For example, a consumer who is days from

receiving their next pay check or retirement check may have to curtail their energy usage simply because they cannot pre-pay for it. That consumer may be in need of energy to maintain a safe home environment or to run medical equipment. Calling pre-pay a demand response program is turning the entire notion o

f demand response on its head. Nor is it appropriate to finance a pre-pay option as a demand side management activity. For these reasons alone the APS pre-pay should not be approved under this docket.

A pre-pay option poses significant consumer protection risks:

In its application, APS is asking for a waiver of A.A.C. R14-2-211 regarding disconnection of service. The reason given is that pre-pay participants would not receive a notice of disconnection. That is obviously because they would be subject to "self-disconnect" due to lack of funds.

The issue of self-disconnection is just one of the consumer protection issues that should be considered and addressed before any customer becomes subject to such a rate plan. Staff recommends moving the pre-pay option to a separate docket. Although AARP does not support moving to pre-pay for electricity, we do agree that if it is to be considered, it should be done in a separate docket where important public policy questions would be discussed, and appropriate consumer protections adopted. Minimal consumer protections would include:

- No pre-pay metering program should require mandatory participation, including for tenants or for consumers with outstanding debt.
- All pre-pay metering programs should adopt an opt-in approach (in which customers must indicate that they want to participate), as opposed to an opt-out approach (which automatically includes customers in the program unless they specifically indicate that they do not want to participate).
- Pre-pay metering programs should not be targeted to low-income customers.
- Pre-pay rates should be no higher than the regulated or standard rate set by regulators.
- The disconnection protections for customers with prepaid meters should be equivalent to those for customers with standard billed service. For example service should not be disconnected at a time when a customer is unable to recharge a prepayment card.

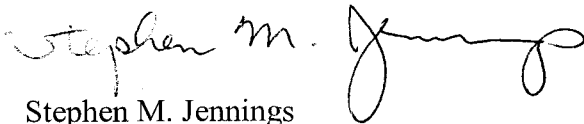
Arizona Public Service Company's Comments are not persuasive

APS recently filed comments opposing the Staff's recommendation regarding the pre-pay pilot. APS purports to show through the example of only two utilities that a pre-pay rate option is appropriate as a DSM program that would induce consumers to save energy. However, the bulk of APS comments are consistent with AARP's concerns—that is, a pre-pay program is a type of payment option, first and foremost. That consumers reduce energy usage when their pre-pay balance is low is not surprising. However, those consumers may not be making long term changes in energy usage, which is the goal of DSM. Further, consumers may be cutting back on usage to an unsafe degree, putting their health and safety at risk.

According to the comments, APS is willing to work with stakeholders to address consumer protection issues around pre-pay. The key stakeholders, including the Staff and consumer groups, seek to have this dialogue in the focused context of a separate proceeding. As stated above, AARP suggests that a separate docket is in the best interest of consumers.

Thank you for this opportunity to submit comments. AARP urges the Commission to adopt Staff's recommendation regarding APS's proposed pre-pay option pilot.

Sincerely,

A handwritten signature in cursive script that reads "Stephen M. Jennings". The signature is written in dark ink and is positioned above the printed name.

Stephen M. Jennings
Associate State Director